



Vivimed Labs Limited

Q3 and Nine Month FY2014 Earnings Presentation

February 13, 2014



Vivimed

Important Notice

No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained in this presentation. Such information and opinions are in all events not current after the date of this presentation. Certain statements made in this presentation may not be based on historical information or facts and may be "forward looking statements" based on the currently held beliefs and assumptions of the management of Vivimed Labs Limited ("Company" or "Vivimed"), which are expressed in good faith and in their opinion reasonable, including those relating to the Company's general business plans and strategy, its future financial condition and growth prospects and future developments in its industry and its competitive and regulatory environment.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, financial condition, performance or achievements of the Company or industry results to differ materially from the results, financial condition, performance or achievements expressed or implied by such forward-looking statements, including future changes or developments in the Company's business, its competitive environment and political, economic, legal and social conditions. Further, past performance is not necessarily indicative of future results. Given these risks, uncertainties and other factors, viewers of this presentation are cautioned not to place undue reliance on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements to reflect future events or developments.

This presentation is for general information purposes only, without regard to any specific objectives, financial situations or informational needs of any particular person. This presentation does not constitute an offer or invitation to purchase or subscribe for any securities in any jurisdiction, including the United States. No part of it should form the basis of or be relied upon in connection with any investment decision or any contract or commitment to purchase or subscribe for any securities. None of our securities may be offered or sold in the United States, without registration under the U.S. Securities Act of 1933, as amended, or pursuant to an exemption from registration there from. This presentation is confidential and may not be copied or disseminated, in whole or in part, and in any manner.

The Company is hosting a conference call for analysts and investors on February 17, 2014 (Monday) at 4:00 PM IST to discuss the performance. Please find below the dial-in details:

Conference Dial-In Numbers	
Primary Number	+91 22 3065 1042
Secondary Number	+91 22 6629 0222
<i>The numbers listed above are universally accessible from all networks and all countries</i>	



Where Chemistry and Quality Matters

Unique Business Model

- Uses chemistry to create ingredients which touch human life on a daily basis
- Focused on the Health Care, Personal Care, Home Care and Industrial segments globally
- Multiple manufacturing and R&D centers provides efficient platforms in India across business segments
- Product portfolio caters to over 75% of the personal care ingredient market
- Combination of stable margin and high growth global businesses

Best-in-Class Operations

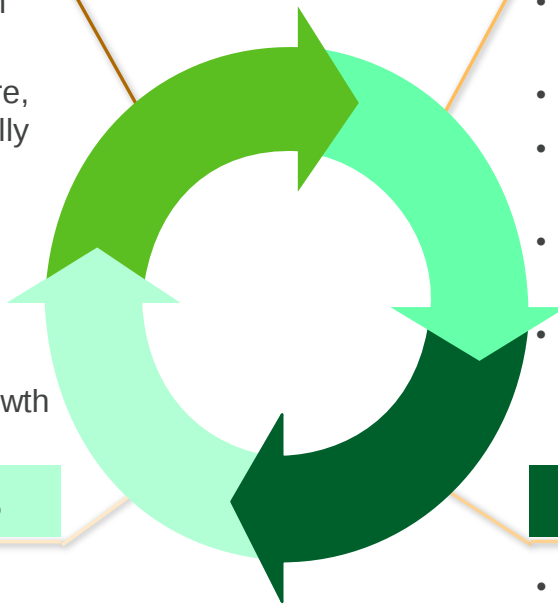
- 12 manufacturing facilities and 5 R&D centers across the world
- 4 US FDA approved sites
- Healthcare revenues: Regulated markets 85% and Semi Regulated markets 15%
- High entry barriers: Long standing customer relationships and in house knowledge base
- Flexible manufacturing across API and Active Ingredients

Attractive Industry Dynamics

- Global API sales is expected to grow at a CAGR of 5.9% from 2010 to 2015
- Drugs with global market size of \$224bn to go off-patent by 2015 driving generic sales
- Indian pharmaceutical industry to reach \$20bn in 2015, a CAGR of 12.3%
- Global personal care ingredient market to grow to \$15bn by 2015 and India to \$800mn

Robust Financial Performance

- 5-year Net Sales CAGR of 42% and Net Profit CAGR of 44%
- Revenues: India 35%, RoW 65%
- R&D investments: 3% of FY2013 Revenues
- Short-term bank facilities rated A3 and long term facilities rated BBB- by CARE Ratings
- Strong transnational management team with proven track record of delivering growth & profitability



Business Segments

Healthcare

68% of Q3 FY14 sales



- Active Pharmaceutical Ingredients (API)
- Finished Dosage Formulations (FDF)



Personal Care

16% of Q3 FY14 sales

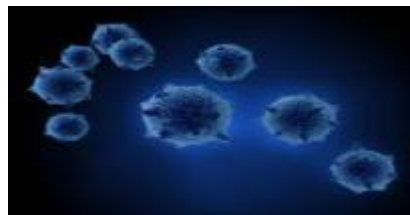


- Sun Care
- Skin Care
- Hair Care
- Oral Care
- Naturals



Home Care

13% of Q3 FY14 sales

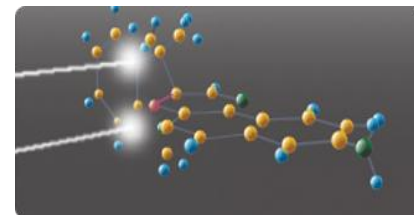


- Antimicrobials
- Specialty Intermediates
- Preservatives



Industrials

3% of Q3 FY14 sales



- Photo Chromic Dyes
- Imaging Chemicals



Q3 FY2014 Net Sales of Rs. 3,358 million (up 22.4% y-o-y)
EBITDA of Rs. 536 million (up 44.3% y-o-y) at margin of 16.0%



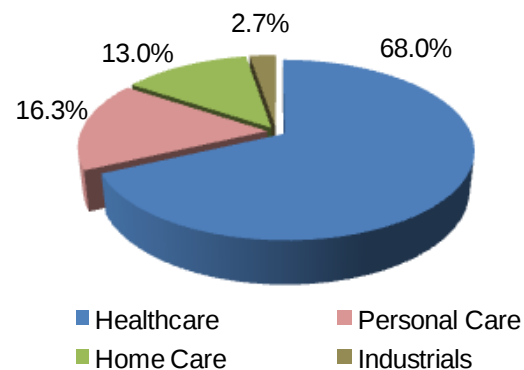
Vivimed

Consolidated Financial Performance

Performance Highlights

- Net Sales of Rs. 3,358 million
 - Increased 22.4% y-o-y and 9.3% q-o-q
- EBITDA of Rs. 536 million and margins of 16.0%
 - Increased 44.3% y-o-y
 - Margin improved 242 bps
- Net Profit of Rs. 190 million and margins of 5.7%
 - Increase of 12.2% y-o-y

Q3 FY2014 Revenue Breakup



Commenting on the performance, Mr. Santosh Varalwar, MD and CEO of Vivimed Labs said:

"The last quarter saw revenue growth coming from both our business segments – Healthcare and Specialty Chemicals. We remain focused on integration and consolidation across business lines, which we believe will deliver improved and sustainable profitability as we move forward. Investment in R&D across both our business segments remain a core part of our growth strategy. In the Healthcare segment, Vivimed is working on a slate of new product filings in both its API and finished formulations business, targeting the regulated markets. We hope to leverage our strong API manufacturing platform to enhance market access and competitiveness over the medium term. In the Specialty Chemicals segment, Vivimed is focused on three aspects – new products, new customers and new geographies. Building a differentiated product pipeline and new distributor appointments in new regions to capture market share has been some of the key initiatives undertaken in the last quarter.

This is a period of transition for both our businesses and we are confident that these will be the building blocks of a growing, profitable and capital efficient enterprise over the medium term."



Financial Performance

Consolidated Financials

(Rs. million)	Q3		y-o-y	Q2		q-o-q	Nine Month		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	Growth (%)		FY2014	FY2013	Growth (%)
Net Sales	3,358	2,744	22.4%	3,073	9.3%		9,870	8,245	19.7%
EBITDA	536	371	44.3%	524	2.3%		1,548	1,530	1.2%
Margin (%)	16.0%	13.5%		17.0%			15.7%	18.6%	
Net Profit	190	169	12.2%	164	15.9%		554	686	(19.3)%
Margin (%)	5.7%	6.2%		5.3%			5.6%	8.3%	
Basic EPS (Rs.)	11.72	12.15	(3.5)%	10.11	15.9%		34.16	49.23	(30.6)%

Note: Net Sales includes Other Operating Income

Key Observations

- Revenue growth in Q3 FY2014 was driven by positive trends across both the Healthcare and Specialty Chemicals segments. Sales growth in the Healthcare segment was 29% y-o-y largely driven by the momentum in the API business which has experienced ramp up in a key custom manufacturing engagement and increased market share in key generic products. Specialty Chemicals segment grew 12.4% y-o-y as key customer accounts have now begun to scale up
- EBITDA margin improved by 242 bps on a y-o-y basis to 16.0% due to improved profitability across both Specialty Chemicals and Healthcare segments. Specialty Chemicals segment profitability has increased as a result of product portfolio rationalization, cost optimization and efficient operations. Healthcare segment profitability improvement was a result of higher capacity utilization, product repairs and cost optimization initiatives
- Finance costs increased on y-o-y basis due to increase in long term borrowings on account of the recent APMPL facility and the adverse impact of depreciation of the INR on the foreign currency borrowings



Segment Highlights

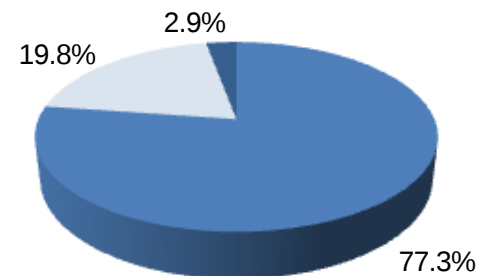
Healthcare Segment

- New filings in the API business (DMF/CEP) are expected across various therapy areas over the next 18-24 months
- Focus on R&D productivity remains as the Company looks forward to prospective finished formulations filings in regulated markets such as US and Europe
- Contract FDF for the RoW markets has seen delays in ramp up due to prolonged wait for the regulatory approval. This situation is expected to correct itself in the next quarter

Personal Care Segment

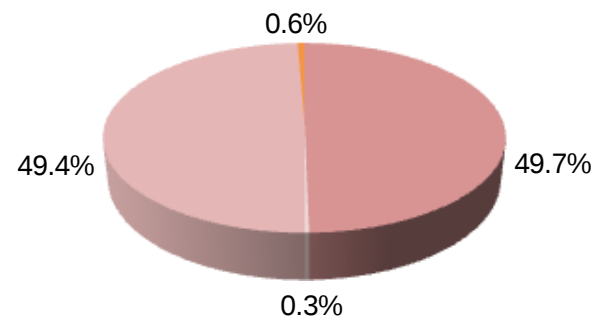
- Scale up across key global consumer product companies has been encouraging
- Capacity enhancement and scale up successfully in progress for key products; commercial orders have started to come in
- Continued strong demand in hair dyes, for both TDS and specialty basic dyes
- Established distributors in new geographies to enhance market presence; commercial orders received
- Targeting off-patent sunscreen molecules which have strong revenue potential

**Q3 FY14 Revenue:
Rs. 2,279 mn**



■ API ■ Contract FDF ■ Branded FDF

**Q3 FY14 Revenue:
Rs. 544 mn**



■ Skin care ■ Oral care ■ Hair care ■ Others



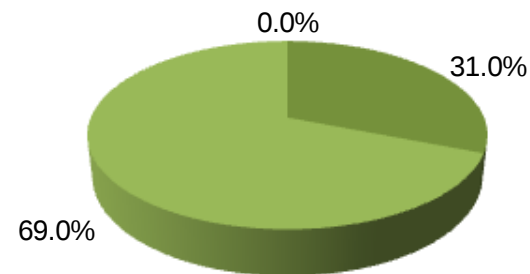
Vivimed

Segment Highlights

Home Care Segment

- Surfactant blends gaining traction in Asia and Brazil; first order anticipated from Vietnam
- Explore new markets for existing products

**Q3 FY14 Revenue:
Rs. 437 mn**

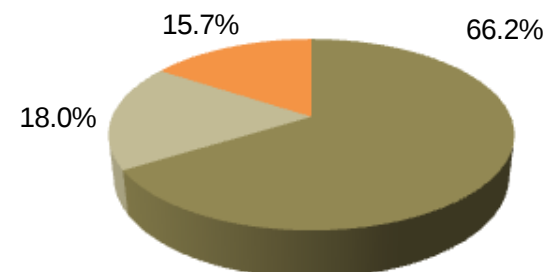


■ Antimicrobials ■ Speciality intermediates ■ Others

Industrials Segment

- Photochromic dyes with excellent demand for new H&P system showing good traction; new product extension
- Sampling and technical support progressing with USA, Korean and LATAM lens producers; new geography penetration

**Q3 FY14 Revenue:
Rs. 92 mn**

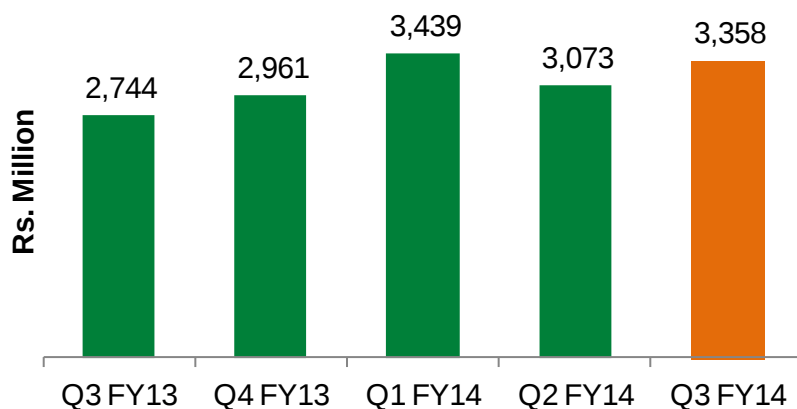


■ Photo chromic dyes ■ Imaging chemicals
■ Other chemicals

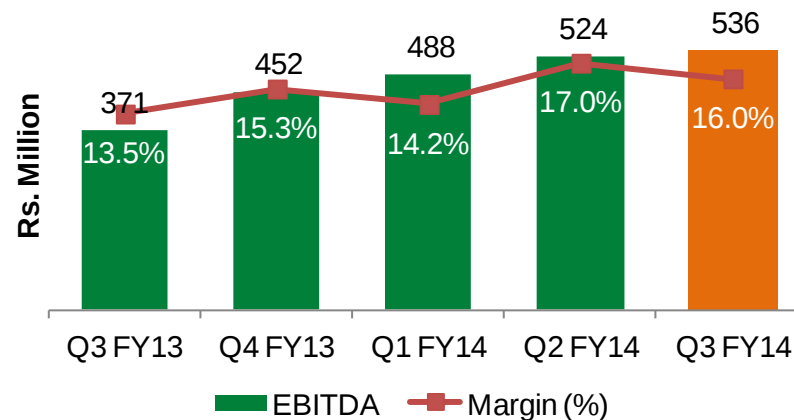


Quarterly Financial Trends

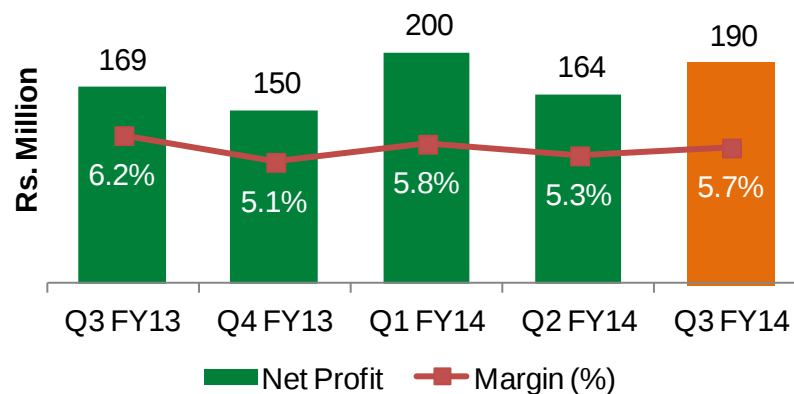
Net Sales



EBITDA and Margins

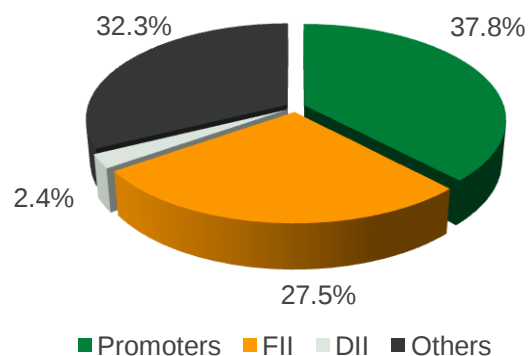


Net Profit and Margins



Capital Markets

Shareholding Structure



Key Institutional Investors



Shareholding Pattern Trend

Shareholders	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13
Promoters ¹	45.2%	39.7%	39.8%	37.8%	37.8%
FII / FDI	16.4%	27.5%	27.4%	27.5%	27.5%
DII	0.3%	0.3%	2.5%	2.4%	2.4%
Others	38.1%	32.5%	30.3%	32.3%	32.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Note:
1 In Q4 FY2013, Jacob Ballas converted its convertible preference shares resulting in dilution of Promoters' stake



Vivimed

Strategic Direction

Where Chemistry and Quality Matters

Continue to **strengthen engagements** with marquee customer base through superior product development and delivery capabilities

Move up the **value chain through vertical integration in Healthcare** (R&D to manufacturing of API / FDF / brands) and target **niche opportunities in the Specialty Chemicals** segment

Optimize utilization of existing global manufacturing platform to enhance capital efficiencies and shareholder returns

Increase penetration in existing **regulated and semi regulated Healthcare markets** and target selected new geographies

Focus on early stage **innovative R&D** and **product development** to drive monetization of business opportunity across all segments

Leverage the strengthened management team to support the future growth aspirations and deliver sustainable returns over the longer term

Successful integration of recent initiatives which will bring scalability through a larger opportunity space and a platform to address the same



Global Reach

A multinational global platform that provides Vivimed access to markets and significant cost advantage



Note: Names in **Green** indicate facilities which are US FDA approved

Facilities	Mexico	Spain	UK	China	USA	India	Total
Healthcare – API 	1	2					3
Healthcare – FDF 						7	7
Specialty Chemicals - Active Ingredients 						2	2
Total Facilities	1	2				9	12
R&D Facilities		1	1			3	5
Global Support Offices		1	1	1	1	1	5



Vivimed

Strong Transnational Management Team

Key Management	Profile
Santosh Varalwar <i>Managing Director & Chief Executive Officer</i>	• First generation entrepreneur • Business growth strategy and leadership; Focus on key global client relationships • Previously associated with Shipping Corporation of India
Subhash Varalwar <i>Vice Chairman</i>	• Responsible for technology and new product development in the Specialty Chemicals • Previously associated with Fertilizer Corporation of India for 15 years
Sandeep Varalwar <i>Executive Director</i>	• Associated with Vivimed since its incorporation • Leads Vivimed's Healthcare FDF division • Over 18 years of experience in manufacturing and marketing in the Healthcare industry
Mark I Robbins <i>Chief Executive, Uquifa, Vivimed's API Division</i>	• Associated with Chemicals and API industries for over 23 years • Previously a member of the management executive committee of Yule Catto, UK • Previously worked with Johnson Matthey for 10 years • Member of the Institute of Marketing and Engineering , UK
George Polson <i>COO, Specialty Chemicals, VLI, USA</i>	• Leads the operations of the Global Specialty Chemicals Division • Industry experience of over 30 years with reputed companies such as Lonza and DSM • Holds ~40 US and World patents • Member of the American Chemical Society (ACS), the Society of Cosmetic Chemists (SCC), and Society of Investigative Dermatology (SID) and American Society of Pharmacognosy
Saurabh SG <i>Director, Corporate Strategy and Business Development</i>	• Responsible for the Vivimed Group's overall strategic initiatives; and business operations of the healthcare segment • Has more than ten years of experience across Investment Management with global firms such as Prudential Financial, Kotak Mahindra and Credit Suisse



Annexure – Quarterly Consolidated P&L Statement

Profit & Loss Statement (Rs. million)	Q1 FY13	Q2 FY13	Q3 FY13	Q4 FY13	Q1 FY14	Q2 FY14	Q3 FY14
Revenues							
Net Sales / Income from Operations (Net of Excise Duty)	2,725	2,661	2,721	2,981	3,408	3,066	3,353
Other Operating Income	18	97	23	(19)	32	6	5
Total Revenues	2,743	2,758	2,744	2,961	3,439	3,073	3,358
Expenses							
Cost of Raw Materials Consumed	1,397	1,250	1,399	1,329	1,504	1,461	1,748
Other Expenditure	882	793	885	1,029	1,020	800	1,033
Changes in Inventories of Finished Goods, WIP and Stock in Trade	(297)	52	(5)	8	272	123	(149)
Employee Benefit Expenses	142	124	93	144	156	165	190
Total expenses	2,124	2,219	2,372	2,509	2,951	2,549	2,822
Operating Profit (EBITDA)	619	539	371	452	488	524	536
Depreciation and Amortisation Expenses	141	141	143	163	147	174	169
EBIT	478	398	229	289	342	350	367
Finance Costs	159	108	98	50	99	172	156
PBT	319	291	130	239	243	179	210
Tax Expenses	58	35	(39)	89	43	15	20
PAT	261	255	169	150	200	164	190
Basic EPS (Rs)	18.75	18.33	12.15	9.33	12.44	10.11	11.72
Margins (%)							
Gross Margins	59.9%	52.8%	49.2%	54.9%	48.4%	48.5%	52.4%
EBITDA margins	22.6%	19.5%	13.5%	15.3%	14.2%	17.0%	16.0%
PAT margins	9.5%	9.3%	6.2%	5.1%	5.8%	5.3%	5.7%
Y-o-Y Growth (%)							
Total Revenues	127.4%	114.1%	61.8%	17.5%	25.4%	11.4%	22.4%
EBITDA	150.7%	93.1%	11.9%	(4.2)%	(21.2)%	(2.8)%	44.3%
PAT	110.9%	105.6%	5.5%	(32.8)%	(23.5)%	(35.9)%	12.2%
Q-o-Q Growth (%)							
Total Revenues	8.9%	0.5%	(0.5)%	7.9%	16.1%	(10.7)%	9.3%
EBITDA	31.3%	(13.0)%	(31.1)%	21.7%	8.0%	7.3%	2.3%
PAT	17.2%	(2.3)%	(33.7)%	(11.5)%	33.3%	(18.0)%	15.9%
Effective Tax Rate	18.1%	12.1%	(30.1)%	37.2%	17.8%	8.3%	9.6%



Annexure – Segment Highlights

Consolidated Performance

(Rs. million)	Q3		y-o-y	Q2		q-o-q	Nine Month		y-o-y
	FY2014	FY2013	Growth (%)	FY2014	Growth (%)		FY2014	FY2013	Growth (%)
Segment Revenue	3,353	2,721	23.2%	3,066	9.3%		9,827	8,107	21.2%
Specialty chemicals	1,074	955	12.4%	994	8.1%		3,051	3,529	(13.5)%
Healthcare	2,279	1,766	29.0%	2,073	9.9%		6,775	4,578	48.0%

EBIT	367	229	60.4%	350	4.7%		1,059	1,105	(4.2)%
Margin (%)	10.9%	8.4%		11.4%			10.8%	13.6%	
Specialty chemicals	220	143	54.7%	211	4.3%		582	529	9.9%
Margin (%)	20.5%	14.9%		21.3%			19.1%	15.0%	
Healthcare	146	86	69.8%	139	5.3%		477	576	(17.2)%
Margin (%)	6.4%	4.9%		6.7%			7.0%	12.6%	

Capital Employed	14,587	12,641	15.4%	14,151	3.1%		14,587	12,641	15.4%
Specialty chemicals	8,262	7,845	5.3%	8,067	2.4%		8,262	7,845	5.3%
Healthcare	6,325	4,796	31.9%	6,084	4.0%		6,325	4,796	31.9%



Glossary

- ANDA: Abbreviated New Drug Application
- API: Active Pharmaceutical Ingredients
- CEP: Certificates of Suitability to the monographs of European Pharmacopoeia
- CMO: Contract Manufacturing Organization
- DMF: Drug Master File
- FDF: Finished Dosage Formulation
- H&PC: Home and Personal Care
- MRs: Medical Representatives
- MA: Marketing Authorization



Thank You

Contact Details:

Vivimed Labs Limited

Veernag Towers, Habsiguda, Hyderabad 500 007

www.vivimedlabs.com

Priyanka Mukherjee

+91 40 2717 6005

Vivimed Labs Limited

priyanka.mukherjee@vivimedlabs.com

Saket Somani

+91 22 3953 7444

Churchgate Partners

saket@churchgatepartnersindia.com



Vivimed